

Commonwealth of Kentucky
Department of Financial Institutions

Instructions

For preparation of Annual Report under the Kentucky Consumer Loan Act

(The Schedule Letters and Item Numbers in the following instructions correspond with those shown in the report.)

Covered herein is detailed information to assist licensees in making the Annual Report required under KRS 288.590 of the Kentucky Consumer Loan Act. Whenever reference is made to business under the Kentucky Consumer Loan Act, it is intended to include the remainder of business under the old Small Loan Law. The Annual Report must cover the calendar year so the Commissioner of Financial Institutions can complete statistical and other information on a uniform basis.

Where insufficient space is provided to set forth the facts adequately, annex a schedule giving the details.

PERIOD TO BE COVERED BY REPORT

Information reported in schedules B, E, H, and J will be as of the last day of the calendar year.

Schedules C, D, F, G, and I should cover the period from the first day to the last day of the calendar year for all licensees who have been in business for one year or more. When a licensee began business after the beginning of the calendar year, the report should cover operations from the beginning of such business to the last day of the calendar year.

WHEN AND TO WHOM THE REPORT SHOULD BE MADE

The report must be filed with the Commissioner, Department of Financial Institutions, 1025 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601, not later than April 15, following the period covered in the report.

SCHEDULE A

Enter as Item 1 the name of the company filling the report. Where a composite report is filed only a short form report is required to be filed for each individual licensed office. The item numbers on the short form correspond to those on the composite report. Information entered for Items 2 through 11 on short form report should not be repeated on composite report.

Enter as Item 3 the actual place where business is conducted as shown in the license. Item 6 relates to the rate charged the borrowers. If all loans do not carry the same rate, show the various rates charged, or annex a rate schedule listing the various rates charged.

SCHEDULE B

This schedule is the balance sheet, at the beginning and end of the calendar year, and must conform with the actual book of the licensee. No items should be included in this schedule which do not appear on the books of the licensee. Any assets which are used and useful in the business but which do not appear on the books of the licensee should be reported in Schedule E.

Any licensee who does business in other states, as well as within Kentucky, shall allocate joint assets, liabilities, capital and all surplus between Kentucky and the other states.

Item 12 (a) through (g) refers to Kentucky Consumer Act receivables carried on the books of the licensee. Licensee who operated on the add-on basis should show the gross amount on line 12 (a), the Unearned Charges on 12 (b), and the amount of add-on receivables on line 12 (c). Licensees operating on the percent per month basis will report the receivables on line 12 (d). If a licensee operates under both add-on and percent per month, the loans receivable should be segregated and reported on the lines designated and the total net outstanding reported on line 12 (e).

On line 12 (f) deduct Reserve for Bad Debts only to the extent such Reserve has been created by charges to expense deducted in Item 35 in this or previous years, or by the purchase of receivables from less than face value.

Item 17 (a) refers to the actual expenses and the actual charges incurred or paid at the time of organizing the business and developing it to a paying basis, which were capitalized and which have not since been charged to expense.

Item 17 (b) refers to the actual expenses incurred in raising money, or involved in current contracts now in force, such as bond discount, stock commissions, attorney's fees and other promotional expenses, which are capitalized and which have not since been charged to expense.

Item 19 will include assets not used in the business licensed under the Kentucky Consumer Loan Act in order that line 20, by the home office to each licensed office for use in the consumer loan business, and to fulfill the net worth requirements of the licensee.

Item 22 If the licensee is one of several licensed offices of a chain company, enter under this item the capital advance by the home office to each licensed office for use in the consumer loan business, and to fulfill the net worth requirements of the licensee.

Item 23 If the licensee is an individual or partnership, enter under this item the net worth of the licensee.

Item 24-26 These items are for the use of corporate licensees only.

SCHEDULE C

The Income and Expenses for business conducted under the Kentucky Consumer Loan Act must be reported on the appropriate lines in Schedule C.

Items 52 and 54 (b): Normally each licensee should compute its income taxes in Items 52 and 54 (b) by using an average rate of income tax determined from its actual income tax return if it is incorporated or from the returns of its owners if it is unincorporated. The tax rate should be the ratio of the aggregate income tax to aggregate taxable income shown in the Income Tax Return(s).

SCHEDULE D

If the licensee is an individual, partnership, or one of several licensed offices and no surplus account is carried books of the office, a reconciliation of net earnings (Item 53) should be given in lieu thereof.

SCHEDULE E

List as Item 67 (a) to and including Item 67 (e) any additional assets, tangible or intangible, by description and amount which the licensee considers used and useful and which are not on the books of the licensee. Such items may include, among others, (1) prepaid expense prohibited from collection at time loan is made and (2) present cost of funds for assets used and useful in Consumer Loan Business.

SCHEDULE F

Item 71 should represent the charges collected or earned for the year (including default and deferment charges) derived from the licensee's business of making loans under the Kentucky Consumer Loan Act, and must be the same amount reported as Item 28, Schedule C.

To compute the average loan balance during the year, the loan balances outstanding (Net after deducting unearned charges) at January 1, February 1, March 1, April 1, May 1, June 1, July 1, August 1, September 1, October 1, November 1, and December 1, should be added together and divided by twelve. The result will be the desired average loan balance for the year. Even though an office was not in operation for the entire year the sum of the loan balances at the beginning of the months that the office was in existence must be divided by 12.

SCHEDULE G

For purposes of this schedule loans made on an add-on basis should be reported in net amounts, i.e., face of not less unearned charges.

Item 74, Column 2, should show the amount of the loan balances outstanding at the end of the previous year. This will be the amount shown on Line 12 (e), Column 2 of Schedule B.

Item 80 must include balances collected from insurance companies if loans are insured against bad debt losses.

The correct amount to be shown in Item 80, Column 2 should result from the use of this formula: (Item 74, plus Item 75 (f), plus item 76) minus (Item 78, plus Item 79, plus Item 81).

Item 83 Loans classed according to type of security. In many cases loans may be based on combinations of securities. For example, a loan may be made on chattel mortgage with Co-Maker taken in addition. In such case, if the primary reliance is on the chattel mortgage, the loan should be classified under (a), (b), (c), or (d). The same principle applies in all cases – classify according to the primary security.

SCHEDULE H

A delinquent account is an account on which no payment of principle or charges has been made in the month or months preceding the end of the period covered by the report. Accounts are classified according to whether they are one month, two months, or three or more months delinquent. The number of accounts and amount of unpaid balance of principle (net amount) on such accounts, respectively, are to be entered in Items 84 (a) to 84 (c) and the total in Item 84 (d).

Net amount of add-on delinquent accounts may be computed by (1) deducting appropriate rebate from gross balance due on each delinquent account; (2) applying to the delinquent balances that percentage which Item 12 (c) bears to Item 12 (a), that is, divide 12 (c) by 12 (a), and multiply the delinquent balances for one month, etc., by the resulting percentage; or (3) some other equitable method.

SCHEDULE I

This schedule is designed to show cases in which legal remedies are used for collections in connection with the Kentucky Consumer Loan Act of the Licensee. Item 85 is limited to those suites which are filed during the year, and does not include suits carried over on court dockets from one year to another year. Similarly Items 86 and 87 should include only those actions taken during the year.

SCHEDULE J

The purpose of this schedule is to report any debt capital, registered or exempted from registration, used in the Consumer Loan Licensed Business. It may include capital notes and debentures or investment certificates sold by a parent corporation.

AFFIDAVIT

The affidavit must be executed, if a corporation, by duly authorized officers of such corporation or by a member of the firm or partner if the licensee is a firm or partnership. In the case of illness or inability of such person to sign the affidavit, it may be executed by a legal representative or agent. The affidavit should be made before a Notary Public, Commissioner of Deeds, Justice of the Peace, or other persons authorized to administer oaths. The affidavit must conform to state laws, as to its form, to be valid.